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CENTRAL INTELLIGENCE BULLETIN

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12 July 1958

DAILY BRIEF

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I. THE COMMUNIST BLOC

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USSR: A speech by Khrushchev, delayed two months in publication, contained a new proposal which may have engendered continuing policy differences. Under the scheme the regional economic councils would be given the authority, now exercised centrally by Gosplan, to determine where to spend investment funds allotted them to meet prescribed production goals. The scheme, if adopted, would be a long step forward in Khrushchev's decentralization of the economy. Possible disagreement over this proposal could be contributing to a delay in formulating the Seven-Year Plan.

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II. ASIA-AFRICA

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Cyprus: British security forces now appear unable to cope with the hit-and-run tactics of Greek and Turkish terrorists, even though they remain capable of preventing major communal clashes. In an attempt to forestall de facto partition through intimidation, EOKA has ordered all Greeks who have left their homes because of Turkish threats to return immediately. Turkey for the third time is again trying to use the Baghdad Pact to exert pressure on London.

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DAILY BRIEF

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Libya: King Idriss intends to combat growing Egyptian influence in his country by dismissing pro-Egyptian officials in the provincial government of Tripolitania. If he succeeds in this move, a shake-up of the central government may follow.

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Laos: There is growing frustration among some younger government elements and army officers over the ineffective response of old-line conservative politicians to the Communist political threat. These elements might attempt a coup if the newly merged conservative party appears unable to form a cabinet without Communist representation, or proposes a cabinet composed exclusively of largely discredited holdovers.

III. THE WEST

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Britain: The cabinet has decided to postpone until October any formal request for Western European approval of a further reduction of British troops in Germany from 55,000 to 45,000 after 1 January 1959. In spite of this postponement, advocates of lower defense spending in Belgium and several other European countries will continue to use the British reductions already under way to justify their own positions.

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DAILY BRIEF

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I. THE COMMUNIST BLOC

USSR Considering Decentralization of Investment Allocation

An April speech by Khrushchev, delayed over two months in publication, contained a new proposal which may have engendered policy differences. Under the scheme the regional economic councils (sovarkhozy) would be given the authority, now exercised by Gosplan, to determine where investment funds allotted them would be spent to meet prescribed production goals. They would be allocated funds for five-year periods, and would distribute them by project and by year. The scheme, if adopted, would be a long step forward in Khrushchev's decentralization of the economy. Possible disagreement over this proposal could be contributing to the delay in completing the Seven-Year Plan.

Some steps in the direction of further decentralization may already have been taken. The chairman of the RSFSR Gosplan, Novikov, writing in Pravda on 1 July, said the long-range plans would have a limited number of centrally determined indices and that wide planning rights had been given to sovarkhozy and enterprises.

Neither Khrushchev's speech nor Novikov's article attempts to make clear the division of planning responsibility between Gosplan and sovarkhozy. Whatever the new distribution may be, the central authorities are expected to make certain that basic principles and goals, such as the predominance of heavy industry and Khrushchev's 15-year economic forecasts, will not be abandoned.

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Cyprus

A new wave of killings which began on 10 July is threatening to engulf the island in widespread bloodshed. Security forces, despite continuing capability to prevent major communal clashes, are unable to cope with the hit-and-run tactics of the Greek and Turkish Cypriot terrorists at widely scattered points. The murder of a nun and a monk in the current series of killings could lead to a religious war and add to the indiscriminate nature of the killings.

Both the Turks and the Greeks decry the lack of protection, and so many Cypriot officials are remaining at home that government functions are being affected.

In an attempt to forestall de facto "partition" through intimidation by Turkish Cypriots, EOKA has ordered all Greeks who left their homes because of Turkish threats to return immediately.

Turkey, making a third attempt to exert pressure on London through the Baghdad Pact, has warned a meeting of the pact's Council of Deputies, called at Turkish request to discuss Cyprus, that the ministerial council meeting of the pact in London later this month will be greatly weakened unless London issues an invitation "openly and immediately" for a conference of Greek, Turkish, and British representatives "within the next few days." Turkey further warned that if the Cyprus conflict is allowed to continue it will affect collaboration between Turkey and Britain within the Baghdad Pact. Greece has indicated a willingness to join in unofficial tripartite talks which could lead to later negotiations, but would probably reject any formal invitation as it does not officially recognize the tripartite aspects of the problem.

British Prime Minister Macmillan has communicated to Athens and Ankara his willingness to hold discussions "anywhere, anytime, and at any level." In hopes of achieving an agreed solution, London has set no timetable for implementing its own proposals.

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Libyan King May Try to Counter Egyptian Influence

King Idriss is considering moving against growing pro-Egyptian influence in Libya by dismissing the pro-Egyptian governor of Tripolitania Province.

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[redacted] he has already removed provincial security officers suspected of pro-Egyptian leanings. The King was apparently disturbed by the refusal of the Tripolitanian provincial government to serve as host at last month's meeting of the Arab League to discuss the Lebanese rebellion, saying it was unable to maintain appropriate security. The meeting was then held in Bengazi, capital of Cyrenaica Province. A high Tripolitanian official has accused his colleagues of "tolerating" subversive, i. e., pro-Egyptian, activity in the province, and the King is said to have called the Tripolitanian minister of interior to Bengazi to give a full report on the state of public security.

There have been several indications that King Idriss is also dissatisfied with Prime Minister Kubaar's lack of vigor in defending government policy against opposition attacks, which are often inspired by pro-Egyptian elements. Should the King decide to take more positive action against such elements, he would be likely to make significant changes in the central government, possibly including the replacement of Kubaar. The names of several potential successors have been mentioned, but the King's preference is not clear.

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Rightists Rumored Planning Coup in Laos

Young civil servants and army officers, dissatisfied with the ineffective response of the conservative politicians to the Communist political threat, recently formed a "Committee for the Defense of the National Interest." They are concerned over the deteriorating security situation, the erosion of government authority in the provinces, and the expanding political and subversive capabilities of the Communist-dominated Neo Lao Hak Zat (NLHZ). Although rumors of a coup appear premature, one may develop unless an effective conservative government is formed following the seating of the members of Parliament elected on 4 May.

Prime Minister Souvanna Phouma will probably be designated--possibly early next week--to form a new government, and he has indicated that he will exclude representatives of the NLHZ. He also intends to replace four or five of his most discredited and ineffective ministers.

His chances depend on conservative unity; at best he is likely to command only a slim majority for investiture. If the conservative politicians are unable to reconcile their conflicting ambitions, it may prove impossible to form a strong anti-Communist government without resorting to extraparliamentary measures.

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III. THE WEST

Britain Defers Action on Further Troop Reduction In Germany

The British cabinet has decided to postpone until October any formal request to the Western European Union for approval of a further reduction of British troops in Germany from 55,000 to 45,000 after 1 January 1959. The government had earlier maintained that for reasons of advance planning it needed a definite answer in July, but evidently yielded to Foreign Secretary Lloyd's argument that Britain might have a better case for reduction in the fall when the British balance-of-payments situation normally worsens.

London maintains that it is willing to keep 55,000 men in Germany after this year only if means are found through NATO to meet this additional deutschmark cost, estimated at the equivalent of \$22,400,000 annually. Lloyd's recent observation that even if London had that much extra to spend it would be better applied to the Middle East reflects the British Government's continuing downgrading of the importance of ground defense of Western Europe.

Further British reductions will be opposed by other members of WEU and NATO which are trying to maintain strong defense forces. They are already under attack by critics who use British reductions and defense policy trends to justify their positions. The new Social Christian government in Belgium, however, is considering one of the more drastic of recent cutbacks by weighing the elimination of conscription, as the Macmillan government says it hopes to do by 1960. To offset charges that Britain's current prosperity enables it to avoid further reductions, London may be expected to press its argument that the long-term financial trends remain precarious, and that only promotion of a more favorable economic climate through establishment of the European free trade area would allow any change in policy.

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